

28 April 2021

## Unisem (M)

### Solid Pipeline

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1QFY21 CNP of RM45.8m (+761% YoY; -25% QoQ) is in line with our/street expectation at 20/22% of full-year estimate. The QoQ drop is due to hiring costs and new equipment added to cater for overwhelming orders for subsequent quarters. Unisem is optimistic, expecting high single-digit QoQ growth in 2QFY21 on the back of strong demand for wafer bumping in its Chengdu plant and WLCSP which command higher margins than normal leaded/leadless packages. Phase 3 expansion in Chengdu will commence soon with completion expected in 2H 2022. Maintain **OUTPERFORM** with an unchanged TP of RM10.00.

**Within expectations.** In the quarter that is typically its weakest, this best ever 1Q CNP delivery of RM45.8m (+761% YoY; -25% QoQ) met our high expectations representing 20% and 22% of our and street's full year forecast.

**YoY,** 1QFY21 revenue surged by 47% to RM373.9m (+50% in USD terms to US\$91.9m), as the group registered higher loading volumes for all its packages across the board due to pent-up demand for semiconductor chips.

**QoQ,** 1QFY21 CNP fell 24.8% to RM45.8m despite a 2.1% increase in revenue to RM373.9m. The larger quantum of decline in CNP could be explained partially by the 4.4% higher depreciation cost as new equipment was added to the facility. In addition, there was an increase in payroll cost with newly added 280 new operators and technicians in Chengdu plant post-Chinese New Year holidays coupled with upward adjustments in salary to retain and incentivise its workforce.

**Bright prospects.** The group indicated that the margin impact from the newly added staff will be temporary as the extra workforce is well needed to accommodate the overwhelming demand in its Chengdu plant, especially for wafer bumping and wafer-level chip scale packaging (WLCSP). Phase 3 expansion in Chengdu is expected to commence very soon and will be completed by 2HFY22, which will double its current floor space. While Ipoh plant is experiencing strong orders in other packages, its bumping facility utilisation rate is relatively lower than Chengdu as its American customers in Ipoh did not manage to secure enough wafers. That said, the group is optimistic that the roaring demand in Chengdu will be able to offset the temporary shortfall until bumping orders return to Ipoh site strongly in 3Q or 4Q 2021. To capitalise on that, Unisem is also revisiting the idea of building a plant in its 32 acres land in Gopeng.

**Maintain FY21E and FY22E CNP** of RM235.3m and RM254.6m.

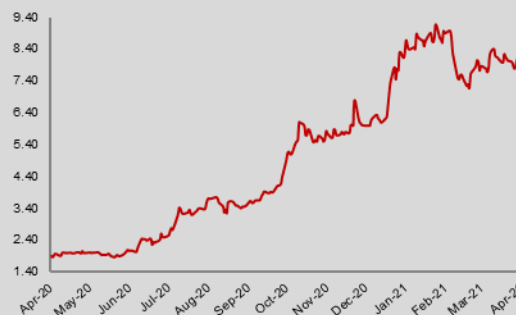
**Maintain OUTPERFORM with unchanged Target Price of RM10.00** based on higher FY21E PER of 31x at +1.5SD to 3-year mean.

**Risks to our call include:** (i) weaker-than-expected USD/MYR, (ii) slower-than-expected adoption of 5G, and (iii) worsening US-China trade war.

## OUTPERFORM ↔

Price : RM8.97  
Target Price : RM10.00 ↔

### Share Price Performance



KLCI 1,627.21  
YTD KLCI chg -1.3%  
YTD stock price chg 25.4%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker UNI MK Equity  
Market Cap (RM m) 6,198.4  
Shares Outstanding 799.8  
52-week range (H) 9.27  
52-week range (L) 1.53  
3-mth avg daily vol: 557,569  
Free Float 20.5%  
Beta 1.0

### Major Shareholders

Huatian Technology Sdn Bhd 50.6%  
Jayvest Holdings Sdn Bhd 10.9%  
Sin Tet Chia 7.8%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	1,289	1,528	1,635
EBITDA	338.1	436.9	466.8
PBT	164.0	267.1	296.4
<b>Net Profit (NP)</b>	<b>142.8</b>	<b>235.3</b>	<b>254.6</b>
<b>Core NP</b>	<b>142.8</b>	<b>235.3</b>	<b>254.6</b>
Consensus (NP)	n.a.	180.1	204.3
Earnings Revision	n.a.	44%	0%
EPS (sen)	19.6	32.4	35.9
EPS growth (%)	1596	64.8	8.5%
DPS (sen)	6.0	8.5	8.5
BV/Share (RM)	2.44	2.68	2.94
PER (x)	39.7	24.2	22.3
Price/BVPS (x)	3.2	2.9	2.7
Net Gearing (x)	(0.3)	(0.3)	(0.4)
Dividend Yield (%)	0.8	1.1	1.1



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<b>Results Highlight</b>								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY21	FY20	Chg	FY20	Chg	FY21	FY20	Chg
<b>Turnover</b>	<b>373.9</b>	<b>366.4</b>	<b>2.1%</b>	<b>255.2</b>	<b>46.6%</b>	<b>373.9</b>	<b>255.2</b>	<b>46.6%</b>
EBIT	53.5	57.6	-7.1%	11.6	359.3%	53.5	11.6	359.3%
<b>Adjusted EBIT</b>	<b>53.5</b>	<b>57.6</b>	<b>-7.1%</b>	<b>2.7</b>	<b>1910.1%</b>	<b>53.5</b>	<b>2.7</b>	<b>1910.1%</b>
PBT/(LBT)	52.8	56.8	-7.2%	10.1	423.5%	52.8	10.1	423.5%
Taxation	-7.0	-2.9	-137.8%	-4.8	-46.6%	-7.0	-4.8	-46.6%
Net profit/(Net loss) after MI	45.8	60.9	-24.8%	5.3	760.9%	45.8	5.3	760.9%
<b>Core NP/(NL) after MI</b>	<b>45.8</b>	<b>60.9</b>	<b>-24.8%</b>	<b>5.3</b>	<b>760.9%</b>	<b>45.8</b>	<b>5.3</b>	<b>760.9%</b>
Core EPS (sen)	6.3	8.4	-24.8%	-0.4	689.6%	6.3	-0.4	689.6%
DPS (sen)	0.0	2.0		0.0		0.0	0.0	
Adjusted EBIT margin	14.3%	15.7%		1.0%		14.3%	1.0%	
Pretax margin	14.1%	15.5%		4.0%		14.1%	4.0%	
Core NP margin	12.2%	16.6%		2.1%		12.2%	2.1%	
Effective tax rate	-13.2%	-5.2%		-47.2%		-13.2%	-47.2%	

Source: Kenanga Research

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## Malaysian Technology Peers Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BERHAD	4.89	5,732.8	Y	12/2019	76.6%	10.8%	165%	11.0%	109.7	41.4	37.3	13.2	10.9	26.3%	0.8%	5.50	OP
INARI AMERTRON BHD	3.56	11,896.6	Y	06/2020	37.4%	24.9%	80.1%	15.8%	67.6	38.1	32.9	8.9	8.5	23.3	2.5%	4.00	OP
JHM CONSOLIDATION BHD	2.05	1,143.1	Y	12/2020	44.8%	13.3%	102.4%	13.9%	60.4	25.9	22.8	5.9	4.7	18.1%	0.6%	2.35	MP
KELINGTON GROUP BHD	2.24	719.9	Y	12/2020	9.5%	13.3%	42.7%	14.1%	30.6	21.5	18.8	4.0	3.5	16.2%	1.2%	2.60	OP
KESM INDUSTRIES BERHAD	11.98	515.3	Y	07/2020	-3.0%	18.7%	10633%	113%	5959	55.5	26.1	1.6	1.6	2.8%	0.7%	14.20	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	40	7,955.9	Y	06/2020	20.0%	12.0%	56.6%	13.2%	49.2	31.4	27.8	6.6	5.9	15.3%	0.7%	47.00	OP
P.I.E. INDUSTRIAL BERHAD	3.25	1,248.1	Y	12/2020	59.9%	7.5%	60.0%	15.8%	28.2	17.7	15.2	2.7	2.3	13.1%	2.7%	4.00	OP
SKP RESOURCES BHD	1.74	2,718.5	Y	03/2020	23.7%	2.4%	67.3%	32.2%	40.8	24.4	18.5	4.9	4.4	18.0%	2.7%	3.00	OP
UNISEM (M) BERHAD	7.75	6,198.4	Y	12/2020	18.5%	7.0%	64.3%	8.5%	45.7	27.8	25.6	3.7	3.4	7.8%	0.7%	10.00	OP

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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